Bureau des services financiers : Annual report 2001

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Ms. Pauline Marois

Deputy Premier and
Minister of State for the Economy and Finance

Government of Québec

Parliament Buildings, Québec

Dear Madam:

I am honoured to submit the Annual Report of the Bureau des services financiers for the year ended December 31, 2001.

In addition to the audited financial statements of the Bureau, this Report gives an account of its main activities and achievements for year 2001.

This second complete year of operations is characterized by the ongoing improvement of the regulations for better public protection and the consolidation of the operations of the Bureau to ensure better service to its various clienteles.

Respectfully yours,

Louise Champoux-Paillé, Economist, MBA
President

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Bureau des services financiers

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MISSION

The Bureau des services financiers is a non-governmental organization, financed by the industry, whose mission is to ensure public protection within the scope of the *Act respecting the distribution of financial products and services* (Bill 188).

The Bureau des services financiers therefore sees to the application of the provisions of this Act and its regulations to which are subject:

- certificate holders and registrants (independent representatives, firms and independent partnerships); and
- insurers and distributors, in the context of the distribution without a representative;

for the following sectors:

- insurance of persons,
- group insurance of persons,
- damage insurance,
- claims adjustment,
- financial planning,
- group savings plan brokerage,
- investment contract brokerage,
- scholarship plan brokerage.

Primary Functions

- Drafting most of the regulations.
- Issuing rights of practice to the clienteles referred to under Bill 188.
- Inspecting and controlling registrants' activities.
- Regulating the distribution without a representative.
- Acting as an Information and Referral Centre.

MEMBERS OF THE BOARD OF DIRECTORS

FROM LEFT TO RIGHT
Standing: ***Charles Pelletier, Yvon Lamontagne, Réjean Ross, Madeleine Plamondon, Alain C. Roy, Joanne Vézina, François Reneault, Nathalie Saint-Pierre, Danielle Surprenant, Constance Lemieux, Yves Morency.***
Sitting: ***Paul-André Simard, Yves Michaud, Louise Champoux-Paillé, Martin Rochon.***

The Bureau des services financiers is administered by a fifteen-member Board. Ten of the members are appointed by the Minister of State for the Economy and Finance of the Government of Québec, including the president and the vice-president.

Five of the ten members that are appointed by the Minister are chosen to represent the general public and five others represent the financial planning sector, insurers in insurance of persons and damage insurance, deposit institutions and group savings organizations. These last five members represent the Chambers, namely three from the Chambre de la sécurité financière and two from the Chambre de l'assurance de dommages.

Representatives of the general public

PRESIDENT
Louise Champoux-Paillé, Economist, MBA

VICE-PRESIDENT
Yves Michaud, Founding President, Association de protection des épargnants et investisseurs du Québec inc. (APEIQ)

Charles Pelletier, FCA, Professor Emeritus, Université Laval

Madeleine Plamondon, President and Chief Executive Officer, Service d'aide au consommateur

Nathalie Saint-Pierre, General Manager, Action réseau consommateur

Representatives of the industry

FINANCIAL PLANNING
Réjean Ross, C. Adm., F. Pl., C.L.U.

INSURANCE OF PERSONS
Constance Lemieux, First Vice-President, Technology and E-Commerce, Direct Network, Desjardins Laurentian Life Insurance

DAMAGE INSURANCE
Yvon Lamontagne, F.P.A.A., Project Leader for the President, AXA Canada

DEPOSIT INSTITUTIONS
Yves Morency, Vice-President, Governmental Relations, Fédération des caisses Desjardins du Québec

MUTUAL FUND ORGANIZATIONS
Joanne Vézina, MBA, Vice-President, Customer Service, Gestion financière Talvest inc.

Representatives of the Chambers

François Reneault, B. Sc., F.P.A.A., Vice-President, Claims, AXA Insurance, Vice-President of the Chambre de l'assurance de dommages, in replacement of Marcel LeHouillier

Martin Rochon, R.L.U., F.Pl., President, PLANI-VIE services financiers, President of the Chambre de la sécurité financière

Alain C. Roy, B.A.A., R.L.U., F. Pl., Financial Security Advisor, Financial Services, National Bank, Vice-President, Insurance, Chambre de la sécurité financière

Paul-André Simard, A.I.B., Damage Insurance Broker, President of the Chambre de l'assurance de dommages

Danielle Surprenant, C.L.U., F. Pl., Agence G. Gadoua inc., Vice-President, Securities, Chambre de la sécurité financière

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COMMITTEES OF THE BUREAU

Decision-Making Committee on Representatives

MEMBERS

Yvon Lamontagne, F.P.A.A., Project Leader for the President, AXA Canada, Director of the Bureau, Chair of the Committee since December 6, 2001

Charles Pelletier, FCA, Professor Emeritus, Université Laval, Director of the Bureau

Alain C. Roy, B.A.A., R.L.U., F.Pl., Financial Security Advisor, Financial Services, National Bank, Vice-President, Insurance, Chambre de la sécurité financière, Director of the Bureau, substitute member

Paul-André Simard, A.I.B., Damage Insurance Broker, President of the Chambre de l'assurance de dommages, Director of the Bureau

Danielle Surprenant, C.L.U., F.Pl., Agence G. Gadoua inc., Vice-President, Securities, Chambre de la sécurité financière, Director of the Bureau

PERMANENT OFFICE STAFF OF THE BUREAU

Marie-Christine Dorval, Attorney

Communications Committee

MEMBERS

Chair of the Committee:

Yves Michaud, Founding President, Association de protection des épargnants et investisseurs du Québec inc. (APEIQ), Vice-President of the Bureau

Claude Bédard, President, Exelmans Productions

Paul-André Simard, A.I.B., Damage Insurance Broker, President of the Chambre de l'assurance de dommages, Director of the Bureau

PERMANENT OFFICE STAFF OF THE BUREAU

Josée Casaubon, Director of Public Relations

Louise Champoux-Paillé, President

Julie Guay, Director of Production, Communications

Audit Committee

MEMBERS
Chair of the Committee:
Charles Pelletier, FCA, Professor Emeritus, Université Laval, Director of the Bureau

Louise Champoux-Paillé, Economist, MBA, President of the Bureau

Yves Morency, Vice-President, Governmental Relations,
Fédération des caisses Desjardins du Québec, Director of the Bureau

Réjean Ross, C. Adm., F. Pl., C.L.U., Director of the Bureau

PERMANENT OFFICE STAFF OF THE BUREAU
Claude Prévost, CA, General Manager

Marie-France Tanguay, Director, Accounting

Committee on Access to Insurance for all Individuals Regardless of Income – Insurance of Persons

MEMBERS
Chair of the Committee:
Madeleine Plamondon, President and Chief Executive Officer,
Service d'aide au consommateur, Director of the Bureau

Constance Lemieux, First Vice-President, Technology and E-Commerce, Direct Network,
Desjardins Laurentian Life Insurance, Director of the Bureau

Martin Rochon, R.L.U., F. Pl., President, PLANI-VIE services financiers,
President of the Chambre de la sécurité financière, Director of the Bureau

Nathalie Saint-Pierre, General Manager, Action réseau consommateur,
Director of the Bureau

PERMANENT OFFICE STAFF OF THE BUREAU
Anne-Marie Beaudoin, Corporate Secretary

Nathalie G. Drouin, Director, Legal Affairs

Ad Hoc Committee on the Information and Referral Centre

MEMBERS
Chair of the Committee:
Nathalie Saint-Pierre, General Manager, Action réseau consommateur, Director of the Bureau

Constance Lemieux, First Vice-President, Technology and E-Commerce, Direct Network, Desjardins Laurentian Life Insurance, Director of the Bureau

Madeleine Plamondon, President and Chief Executive Officer, Service d'aide au consommateur, Director of the Bureau

PERMANENT OFFICE STAFF OF THE BUREAU
Louise Champoux-Paillé, President

Sophie Garon, Director, Information and Referral Centre

Ad Hoc Committee for Harmonization Between Group Savings and Segregated Funds

MEMBERS
Chair of the Committee:
Louise Champoux-Paillé, Economist, MBA, President of the Bureau

Sylvie Coulombe, Director, Québec Marketing, Québec Market Unit, Clarica

Rodrigue Julien, C.L.U., F.Pl., Chrétien, Julien et associés

Ann Leduc, MBA, Regulations Consultant, Direction de la recherche et du développement des marchés, Commission des valeurs mobilières du Québec

Constance Lemieux, First Vice-President, Technology and E-Commerce, Direct Network, Desjardins Laurentian Life Insurance, Director of the Bureau

Yves Millette, B.A., LL.L., Chief Vice-President, Québec Affairs, Canadian Life and Health Insurance Association Inc. (CLHIA)

Madeleine Plamondon, President and Chief Executive Officer, Service d'aide au consommateur, Director of the Bureau

Alain Roch, B.A. LL.L., Vice-President, Legal Affairs, Mutuelle des fonctionnaires, representing the "Regroupement des assureurs de personnes à charte du Québec" (RACQ)

Danielle Surprenant, C.L.U., F. Pl., Agence G. Gadoua inc., Vice-President, Securities, Chambre de la sécurité financière, Director of the Bureau

Pierre Trépanier, Chief Executive Officer, Québec, Royal Investment Fund

Joanne Vézina, MBA, Vice-President, Customer Service, Gestion Financière Talvest inc., Director of the Bureau

PERMANENT OFFICE STAFF OF THE BUREAU
Nathalie G. Drouin, Director, Legal Affairs

Jean Mathieu, Director, Training and Pre-certification

Ad Hoc Committee on the Impacts of the Enhancement of Minimum Training

MEMBERS
Chair of the Committee:
Louise Champoux-Paillé, Economist, MBA, President of the Bureau

Louis Guay, Regional Vice-President, Insurance Bureau of Canada (IBC)

Pierre Michaud, First Vice-President, Claims,
Société de portefeuille du groupe Desjardins assurances générales

Yves Millette, B.A., LL.L., Chief Vice-President, Québec Affairs,
Canadian Life and Health Insurance Association Inc. (CLHIA)

Madeleine Plamondon, President and Chief Executive Officer,
Service d'aide au consommateur, Director of the Bureau

Martin Rochon, C.L.U., F.Pl., President, PLANI-VIE services financiers,
President of the Chambre de la sécurité financière, Director of the Bureau

Réjean Ross, C. Adm., F.Pl., C.L.U., Director of the Bureau

Paul-André Simard, A.I.B., Damage Insurance Broker,
President of the Chambre de l'assurance de dommages, Director of the Bureau

Michel Tardif, General Manager, International Life Insurance Company,
representing the "Regroupement des assureurs de personnes à charte du Québec" (RACQ)

Guest:
Ghislaine Plamondon, Occupational Training Program, ministère de l'Éducation

PERMANENT OFFICE STAFF OF THE BUREAU
Anne-Marie Beaudoin, Corporate Secretary

Jean Mathieu, Director, Training and Pre-Certification

Ad Hoc Monitoring Committee

Members
Chair of the Committee:
Louise Champoux-Paillé, Economist, MBA, President of the Bureau

Yves Michaud, Founding President, Association de protection des épargnants et investisseurs du Québec inc. (APEIQ), Vice-President of the Bureau

Madeleine Plamondon, President and Chief Executive Officer, Service d'aide au consommateur, Director of the Bureau

Nathalie Saint-Pierre, General Manager, Action réseau consommateur, Director of the Bureau

Guest:
Yves Morency, vice-président, Relations gouvernementales, Fédération des caisses Desjardins du Québec, Director of the Bureau

PERMANENT OFFICE STAFF OF THE BUREAU
Anne-Marie Beaudoin, Corporate Secretary

Nathalie G. Drouin, Director, Legal Affairs

Ad Hoc Committee on the Disclosure of Business Relationships

MEMBERS
Chair of the Committee:
Louise Champoux-Paillé, Economist, MBA, President of the Bureau

Robert Lagarde, President and Chief Executive Officer, Dale Parizeau LM inc., Director of the Chambre de l'assurance de dommages

Yvon Lamontagne, F.P.A.A., Project Leader for the President, AXA Canada, Director of the Bureau

Constance Lemieux, First Vice-President, Technology and E-Commerce, Direct Network, Desjardins Laurentian Life Insurance, Director of the Bureau

Pierre Michaud, First Vice-President, Société de portefeuille du Groupe Desjardins, assurances générales

Madeleine Plamondon, President and Chief Executive Officer,
Service d'aide au consommateur, Director of the Bureau

Martin Rochon, R.L.U., F. Pl., President, PLANI-VIE services financiers,
President of the Chambre de la sécurité financière, Director of the Bureau

Nathalie Saint-Pierre, General Manager, Action réseau consommateur,
Director of the Bureau

PERMANENT OFFICE STAFF OF THE BUREAU
Anne-Marie Beaudoin, Corporate Secretary

Nathalie G. Drouin, Director, Legal Affairs

Philippe Lebel, Attorney

Ad Hoc Committee on Financial Planning

MEMBERS
Chair of the Committee:
Louise Champoux-Paillé, Economist, MBA, President of the Bureau

Guy Bélisle, Notary, Bélisle, Dubé, Notaires

Denis Boucher, F.Pl., Groupe Conseil Aon, Former President of the Institut québécois
de planification financière 1999-2000

Gaétano Di Foglio, MBA, Director, Certification and Regulatory Programs,
Institute of Canadian Bankers

Réjean Ross, C. Adm., F.Pl., C.L.U., Director of the Bureau

Alain C. Roy, B.A.A., R.L.U., F.Pl., Financial Security Advisor, Financial Services, National Bank,
Vice-President, Insurance, of the Chambre de la sécurité financière, Director of the Bureau

PERMANENT OFFICE STAFF OF THE BUREAU
Anne-Marie Beaudoin, Corporate Secretary

Philippe Lebel, Attorney

TEAM OF THE BUREAU

Structured into seven branches, the team is made up of 157 people, 90 of whom are permanent. In accordance with the Act, the Bureau des services financiers has its head office in Québec and also keeps a place of business in Montréal.

President's role

The President is the official spokesperson of the Bureau and she supervises its operations. She exercises all the powers conferred on her by the Bureau. She chairs all the meetings of the Board and may convene them. She signs all the documents binding on the Bureau and is automatically part of all the committees created by the Board.

Annual salary: $119,708

General Manager's role

The General Manager is responsible for the management of the Bureau. He ensures the proper functioning of the operations by planning, organizing and controlling the operations of the Bureau.

Annual salary: $90,000

Corporate Secretary's role

The Corporate Secretary is responsible for the organization of the meetings of the Board and oversees the preparation of the documents to be forwarded to the board members, such as the notices of meeting and the agenda. She attends the meetings, draws up and keeps the minutes. She is the executive responsible for the Bulletin and the annual report. She is also in charge of the liaison with certain organizations and outside Québec. In addition, she acts as the returning officer for the elections of the board members of the Chambers.

Annual salary: $78,413

PRESIDENT'S MESSAGE

Louise Champoux-Paillé,
Economist, MBA
President

As of December 31, 2001, we completed our second year of operations as an organization responsible for supervising the distribution of financial products and services in Québec.

Both in terms of the regulations and the adoption of a multi-sector management approach, the implementation challenges were tremendous. This second year has therefore been devoted, among other activities, to the pursuit of our public protection mission, the consolidation of the operations with a view to increasing the quality and efficiency of our services, as well as the sustained participation in the various pan-Canadian regulators and self-regulation organizations issue tables.

Public protection

Year 2001 was marked by the phasing-in of new public protection mechanisms, namely the systematic inspections of firms, independent partnerships and independent representatives, the creation of specific adjudication committees for registrants that do not fulfill their obligations as defined by the Act and the regulations, and the specification of the requirements regarding the obligation for firms to keep a register of the complaints received from their clients.

In addition, regarding the management of eligibility for the career, two major projects were initiated this year, namely the one concerning requalification in group insurance and annuities, and the Work-Study Learning Program (WSLP), a new program allowing access to the professional practice in personal-lines damage insurance and claims adjustment activities in this sector class.

A reflection on our ways of doing things

In an effort to increase our efficiency and to provide the resources that are necessary to really fulfill all the aspects of our public protection mission, the members of the Board evaluated various formulae in order to reach these goals, while taking into account the risks incurred by the Bureau.

This reflection turned into stocktaking as the Bureau was called upon to participate in the Task Force on Financial Sector Regulation. We were thus able to share our experience regarding multidisciplinary supervision and raise the issues that we perceived concerning the regulations and their application, the administration and the various services offered to our clienteles, in particular regarding the Information and Referral Centre for consumers.

Being at the core of the supervisory structure of the distribution of financial products and services, and particularly concerned by the various regrouping possibilities, the Bureau followed this issue very closely.

New management

The arrival of our new general manager, Mr. Claude Prévost, also marked year 2001. Mr. Prévost mobilized his team to start the restructuring process, which had become imperative this year.

An influence spreading across Canada

In the last twelve months, the Bureau also took part in various sectional forums that brought together the regulatory bodies of the Canadian provinces. This participation has enabled us to follow the work related to the supervision of the distribution in the sectors of activities for which we are responsible and to put forward our specific fields of jurisdiction as a Québec organization.

2002 Perspectives

Since the Bureau was created, the Board members and the staff have consistently worked very hard to follow through on the intentions of the legislator regarding the supervision of the distribution of financial products and services. However, important work remains to be done to be efficient in fulfilling our sole mission: public protection. To stay the course, the Board adopted, at its meeting of December 2001, a list of priorities that it should tackle during year 2002 as well as an action plan and a budget. Issues such as the definition of the methods of distribution and their supervision as well as rate formulae will be subjected to special analyses.

In addition to the pursuit of our operations, special attention will be paid in the next year to the responses that the government intends to give to the recommendations of the Task Force on Financial Sector Regulation.

Thanks

In closing, I wish to thank all the employees who, for the second consecutive year, and in some cases, for the third year, had to meet ambitious objectives in a limited resources context. I also thank the Board members and the members of our various standing and ad hoc committees for their tireless work and devotion. Although they come from different backgrounds, they were able to develop a team spirit that made possible discussion and solidarity in decision-making. Finally, I wish to thank the Chambers as well as our other partners for their collaboration; without this collaboration, many projects would not have been carried through.

Louise Champoux-Paillé,
Economist, MBA
President

CORPORATE SECRETARY'S MESSAGE

Me Anne-Marie Beaudoin,
Corporate Secretary

The Board of the Bureau des services financiers (the Bureau) held eight regular meetings and two special meetings in 2001. It was a year marked both by the completion of certain structuring issues for the implementation of Bill 188 and the start of an approach aimed at taking stock of the situation.

Thus, among the issues relative to the introduction of the Act that are not discussed in other presentations in this report, I would like to present more particularly the following three files: the signing of long-term agreements with certain professional orders, the holding of the first elections of the Board Members of the Chambers and the setting-up of the decision-making committees of registered businesses.

Promoting consistency in the supervision of financial planners – Signing of new agreements with the professional orders

Long-term agreements were signed with the Ordre des administrateurs agréés du Québec, the Chambre des notaires du Québec and the Ordre des comptables généraux licenciés du Québec. These agreements follow the interim agreements that were signed in December 1999. They will be effective for a three-year term.

It should be noted that the agreements allow the signatory professional orders to authorize their members to use the title of financial planner even if they do not hold a representative's certificate issued by the Bureau, and to supervise their activities as such. Within the framework provided by the Act, the Board wished to promote consistency in the supervision of all financial planners in Québec, in particular as regard compulsory professional development.

A first success in 2001: the holding of elections by mail for the Board members of the Chambers

The first elections of the Board members of the Chambre de la sécurité financière and the Chambre de l'assurance de dommages were held in 2001. These elections are held by mail and take place every year. The list of electors is drawn up using the information contained in the Bureau's register of representatives, according to a rotation principle and a procedure provided for in the internal management by-laws of each of the Chambers. In my capacity as corporate secretary, I act as the returning officer in accordance with the Act. This means that the staff of the Bureau had to perform several duties, such as drawing up and updating the list of electors, receiving the candidacies, producing the documents of one of the Chambers, coordinating the mailing of personalized notices of poll and ballot papers, receiving the ballot envelopes, organizing the counting of the votes and, finally, releasing the results of the vote and the information pertaining to the elections on our Website.

These first elections proceeded very well and the participation rate was quite satisfactory, from 20% to 58%, depending on the positions concerned. Of course, I wish to thank the team members of the Bureau and the Chambers who, directly or indirectly, collaborated to this first edition of the election process.

Establishment of the decision-making committees of registered businesses

The Board of the Bureau also completed the preparation of its adjudication processes by adopting the procedure respecting the composition and progress of decision-making committees on registrants.

The Martineau Group and the Commission des finances publiques

On the other hand, the Bureau was called upon to complete its first evaluation exercise for the purpose of a presentation to the Task Force on Financial Sector Regulation, chaired by Mr. Yvon Martineau, attorney.

Finally, the Bureau was invited by the Commission des finances publiques of the National Assembly for an examination of its orientations, operations and management. This presentation has been postponed and could take place in 2002.

Anne-Marie Beaudoin, Attorney
Corporate Secretary

GENERAL MANAGER'S MESSAGE

2001, a turning point for the Bureau des services financiers

***Claude Prévost**, CA*
General Manager

Fourteen months after the *Act respecting the distribution of financial products and services* (Bill 188) went into effect, time had come to re-evaluate our structures and our ways of doing things in order to offer to our various clienteles a standard of service more focussed on their situations and expectations. Consequently, using the many findings derived from the implementation stage of the Bureau, we started the "consolidation" shift that was necessary.

For this purpose, we first replaced some of the team members so that we could have the expertise required for the success of this type of shift. Afterward, we completed the restructuring of several of our branches (certification and registration, finance, communications, Information and Referral Centre) to maximize their respective contributions toward the achievement of our goals and the fulfillment of our mission. As an essential complement to such reorganization, we finally developed performance indicators that made it possible to monitor the results.

As you will note in reading this report, a lot of progress was made in 2001. There was outstanding improvement in all of our performance indicators in the last year. Consequently, our restructuring work started to provide the returns expected in 2001 and will continue to contribute to the improvement of the quality of our services in 2002.

The industry we have a duty to supervise is in constant evolution. Of course, the Bureau will have to keep on adjusting to this situation. We have made significant strides in the last twelve months, while remaining aware of the many challenges that we still have to face. Our achievements of the past year allow us to face the future with optimism. Our bases are now strong enough to allow us to continue our operations efficiently, while pursuing our goals of optimization and negotiating the changes that will inevitably be ruled by our environment.

This being said, the years I spent in management have taught me that it is neither the structures nor the processes that make organizations successful. If anything it is the men and women who give life, every day, to these structures and processes. In this respect, the Bureau is blessed with a most competent team. They first and foremost deserve a lot of credit for the major achievements that took place in 2001, and I thank them.

I also wish to thank the directors of the Bureau. Adapting to a new style of management, particularly in a reorganization context, requires a great deal of flexibility. Their professionalism, truthfulness and open-mindedness proved to be invaluable assets in reaching our mutual goals.

Finally, I wish to express all my gratitude to the members of the Board for their ongoing confidence and support during the eleven months since I became general manager. Their vision and devotion have provided me with invaluable input.

Claude Prévost, CA
General Manager

OVERVIEW OF THE DISTRIBUTION OF FINANCIAL PRODUCTS AND SERVICES IN QUÉBEC

An ever-changing industry

The distribution of financial products and services is a very substantial part of the financial industry in Québec. This sector is going through transformations that are linked directly with the major trends that have emerged in the past few years (i.e., market globalization, decompartmentalization of financial institutions) and the introduction of the *Act respecting the distribution of financial products and services*.

Regulated by the Bureau, more than 37,225 representatives and 6,910 businesses, distributed in the eight sectors defined by Bill 188, work and evolve in this ever-changing context.

The following table shows the volume of activities and the clienteles that make up the registers of the Bureau. It also indicates the intended purposes of these registers, whether they concern the general public, the Bureau's partners, or the Bureau itself.

There is no question that the Bureau's registers constitute a vital area of its operations, for which it spends a great amount of resources to ensure efficient public protection mechanisms.

Multidisciplinary Registers of the Bureau

CLIENTELES AND VOLUME OF ACTIVITIES

- As of December 31, 2001, 37,225 representatives (certified individuals) share 56,441 rights of practice issued for the various sectors. In terms of certification, throughout the year, the following operations took place:
  - Issuance of initial certificates: 4,575
  - Certificate renewals: 33,424
  - Additions of sectors: 1,899
  - Reinstatements: 2,353
- As of December 31, 2001, 6,910 businesses comprising 3,000 firms, 25 independent partnerships and 3,885 independent representatives share 14,099 registrations for the various sectors. As far as registration is concerned, throughout the year, the following operations took place:
  - New registrations : 2,353
  - Maintenance of registration: 5,972
  - Firm mergers: 30

This picture of the multidisciplinary registers of the Bureau represent for the certification and registration team a volume of activities of just over 130,000 transactions in the year, which truly reflects the extent of the movement in this sector.

APPLICATIONS

- The general public and the industry for the verification of the rights to practice.
- The Bureau:
  - Preparation and updating of the registers
  - Collection of the fees and contributions
  - Jurisdiction of the inspection
  - Illegal practice
- The Chambers:
  - Redistribution of the contributions
  - Compulsory professional development
  - Jurisdiction of the supervision (attestations for the syndics, the cosyndic and the discipline committees)
  - Election process
- The Fonds d'indemnisation des services financiers:
  - Redistribution of the contributions
  - Jurisdiction for compensation
- The Institut québécois de planification financière:
  - Compulsory professional development
- The professional orders:
  - Registers of financial planners

Picture of the certified representatives and registered businesses authorized by the Bureau according to the sectors

	CERTIFIED	REGISTRANTS		
Sectors	**Number of representatives***	**Number of firms***	**Number of independent partnerships***	**Number of independent represent.***
Insurance of persons	12,417	2,355	17	3,682
Group insurance of persons	9,610	2,136	14	3,193
Damage insurance	8,046	1,116	15	221
Claims adjustment	2,394	224	2	26
Financial planning	3,046	504	4	471
Group savings plan brokerage	20,136	96		
Investment contract brokerage	75	15		
Scholarship plan brokerage	717	8		

* *Representatives, firms, independent partnerships or independent representatives may pursue activities in more than one sector. They may therefore be counted more than once.*

Detailed picture of the certified representatives, according to the sectors and sector classes

Sectors and sector classes		**Number of represent.***
Insurance of persons		**11,882**
Accident or health insurance		**535**
Group insurance of persons		**9,559**
Group insurance plans		**48**
Group annuity plans		**3**
Financial planning		**3,046**
Group savings plan brokerage		**20,136**
Investment contract brokerage		**75**
Scholarship plan brokerage		**717**
Damage insurance	agent	**1,872**
	broker	**4,063**
Personal-lines damage insurance	agent	**1,192**
	broker	**774**
Commercial-lines damage insurance	agent	**13**
	broker	**132**
Claims adjustment		**552**
Claims adjustment in personal-lines damage insurance		**69**
Claims adjustment in commercial-lines damage insurance		**4**
Claims adjustment in the employ of an insurer		**1,663**
Claims adjustment in the employ of an insurer in personal-lines damage insurance		**90**
Claims adjustment in the employ of an insurer in commercial-lines damage insurance		**16**

* *Representatives may pursue activities in more than one sector. They may therefore be counted more than once.*

Special mentions on representatives' certificates

	Number of representatives
Restricted to life insurance	239
Restricted to group accident or health insurance products	90
Special brokerage	5
Brokerage of loans secured by immovable hypothec	105
Claims adjustment with respect to policies underwritten through the firm to which the claims adjuster is attached	65
Investment of permanent shares and preferred shares	5,406

Number of registrants at the Bureau des services financiers as of December 31, 2001

Registrants	Number
Firms	3,000
Independent partnerships	25
Independent representatives	3,885
Total	**6,910**

Number of firms or independent partnerships according to the total number of representatives attached to them

Number of representatives	Number of firms or independent partnerships
1 representative or sole owner	1,594
2 to 10	1,152
11 to 50	200
51 to 100	28
101 to 500	37
501 and over	14

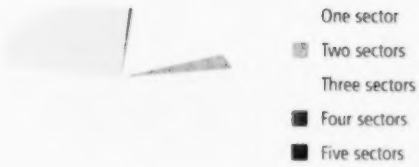
An average difference of 5% is noted in comparison with the data for year 2000. We will monitor closely any development in 2002.

Picture of multidisciplinarity

Number of sectors	Percentage of representatives
One sector only	67,00%
Two or more sectors	32,98%

Number of representatives according to the number of sectors

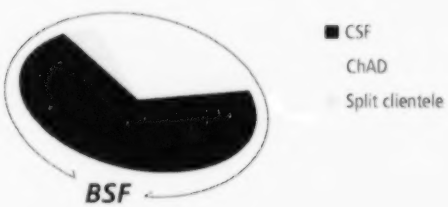
Number of sectors	Percentage of representatives
One sector	67,00%
Two sectors	17,46%
Three sectors	12,50%
Four sectors	2,84%
Five sectors	0,17%



Distribution of the clienteles of the Chambers as of December 31, 2001

	Total clientele	Split clientele
Chambre de l'assurance de dommages	10,494	1,544
Chambre de la sécurité financière	28,275	
Total number of representatives registered with the Bureau	**37,225**	

Total number of representatives registered with the Bureau distributed according to the Chambers



Access to the career

The requirements for accessing the career include the minimum training requirements, the examinations, the training and the certificate application. According to the sector or sector class chosen, the requirements pertaining to minimum training, the examinations and the training period vary and exemptions may apply, depending on the candidate's profile.

Minimum training requirements

- Recognition of experience

With this type of application, a candidate's work experience may be recognized by the Bureau to entitle him to register for the examinations. This way of having access to the career is transitional until October 1, 2002, for the insurance of persons sector and until October 30, 2003, for the group insurance of persons sector.

Number of recognition of experience applications filed with the Bureau as of December 31, 2001

Applications accepted	217
Applications refused or inadmissible	26
Total	**243**

Applications processed

Sectors	Accepted	Refused[1]	Inadmissible[2]
Insurance of persons	113	5	8
Damage insurance	81	5	6
Group insurance	9	1	–
Claims adjustment	14	–	1
Total	**217**	**11**	**15**

1. *An application is refused where the candidate's experience is not considered pertinent.*
2. *An application is deemed inadmissible where the candidate does not meet the criteria required for the recognition of his work experience.*

- Level of studies equivalent to the Diploma of College Studies

An application for the recognition of a level of studies equivalent to the Diploma of College Studies allows a candidate to have his years of schooling recognized so that he may receive an attestation of equivalent rating of 13 years of schooling issued by the Bureau, and thus be entitled to register for the examinations.

The level of education equivalent to the Diploma of College Studies is used more than ever by candidates as a way to meet the requirements for having access to the career; this in itself constitutes an enhancement of the minimum training requirements.

Number of applications for the recognition of a level of education equivalent to the Diploma of College Studies filed with the Bureau in 2001

Applications accepted	778
Applications refused	124
Total	**902**

Examinations

The Bureau's examinations assess each of the skills that must be mastered to act as a representative in a given sector or sector class. The candidate must pass all the examinations to be eligible for training.

In December 2001, the Board of Directors set up a task force that will examine the content of the examinations pertaining to damage insurance and claims adjustment (wording of the questions, consistency between the content of the manuals and the examinations themselves, etc.).

Number of persons registered for the examinations as of December 31, 2001

Sectors and sector classes	Number of persons registered for the examinations*
Insurance of persons	1,669
Accident or health insurance	276
Group insurance of persons	23
Group insurance plans	43
Group annuity plans	5
Damage insurance	79
Personal-lines damage insurance	609
Commercial-lines damage insurance	86
Claims adjustment	19
Claims adjustment for personal-lines damage insurance	9
Claims adjustment for commercial-lines damage insurance	8
Claims adjustment in the employ of an insurer	53
Total number of persons registered	**2,879**

* *Number of persons registered, regardless of the number of examinations passed. A person may have registered for one or several examination sessions.*

No examination is prescribed or administered by the Bureau for financial planning, group savings plan brokerage, investment contract brokerage and scholarship plan brokerage. For these sectors, other requirements are prescribed for the obtainment of the certificate by the Institut québécois de planification financière as well as the Act and the regulations of the Commission des valeurs mobilières du Québec.

Comparison of the number of persons registered for the examinations between year 2000 and year 2001

In 2001, 2,879 persons registered for the examinations of the Bureau. In 2000, this number was 3,086, excluding the individuals registered in the context of the transitional measures. Therefore, for 2001, we note in total a 7%-decrease in the number of persons registered for the examinations of the Bureau, or 207 persons. We will monitor this development closely in 2002, in order to verify whether this situation constitutes a basic trend or simply a one-time variation.

Here is the distribution of the decrease or increase in the number of persons registered for the examinations, per sector:

Sectors		%
Insurance of persons	Decrease of 171 persons	– 8%
Group insurance of persons	Increase of 41 persons	+ 37%
Damage insurance	Decrease of 70 persons	– 8%
Claims adjustment	Decrease of 7 persons	– 7%

Rate of success of the examinations prescribed by the Bureau

Here is the table showing the rate of success of the examinations prescribed by the Bureau for the period of January 1 to December 31, 2001. This table details the number of examinations administered during the past year as well as the success rate per skill (examination). It is available and updated every month on our Website (www.bsf-qc.com) to allow the general public to have access to recent statistics.

		Initial examination		Supplemental examination[1]	
Insurance of persons		Number of candidates	Success rate	Number of candidates	Success rate
01-101	Applying the legal concepts and the legislation pertaining to insurance of persons and to the activity of a representative	1,694	**80%**	289	**70%**
01-301	Preparing a life insurance plan	1,604	**83%**	225	**72%**
01-302	Preparing an individual disability insurance plan	1,576	**77%**	325	**70%**
01-303	Preparing an individual financial products plan	1,603	**80%**	289	**76%**
01-304	Preparing a segregated-funds proposal	1,363	**88%**	124	**74%**
Accident or Health insurance					
01-102	Applying the legal and legislative concepts pertaining to accident or health insurance and to the activity of a representative	276	**84%**	39	**74%**
01-305	Preparing an accident or health insurance plan	275	**85%**	32	**75%**
Group insurance					
02-103	Applying the legal and legislative concepts pertaining to group insurance of persons and to the activity of a representative	43	**70%**	10	**80%**
02-306	Preparing a group insurance proposal	50	**84%**	5	**40%**
02-307	Preparing a group annuity proposal	17	**88%**	–	–

1. *Includes the first and the second supplemental examinations.*

		Initial examination		Supplemental examination[1]	
		Number of candidates	Success rate	Number of candidates	Success rate
Damage insurance					
03-104	Applying the legal and legislative concepts pertaining to damage insurance and to the activity of a representative	709	68%	215	71%
03-121	Activity of a representative in damage insurance	20	75%	N/A	N/A
Personal-lines damage insurance					
03-401 05-401	Analysing household insurance products	624	70%	157	79%
03-402 05-402	Analysing automobile insurance products (personal-lines)	629	75%	132	61%
Commercial-lines damage insurance					
03-403 05-403	Analysing automobile insurance products (commercial-lines)	100	58%	32	56%
03-404 05-404	Analysing commercial-lines insurance products, in particular direct and indirect insurance products for an enterprise	103	59%	31	65%
03-405 05-405	Analysing commercial-lines insurance products, in particular complementary products for an enterprise	92	63%	22	55%
03-406 05-406	Analysing commercial-lines insurance products, in particular liability insurance products for an enterprise, and deposit products	93	55%	36	64%
Claims adjustment					
05-105	Applying the legal and legislative concepts pertaining to damage insurance and to the activity of a claims adjuster	76	75%	19	58%
03-122 05-122	Activity of a claims adjuster	23	57%	11	45%
03-501 05-501	Settling claims in personal-lines insurance	46	63%	17	65%
03-502 05-502	Settling claims in commercial-lines insurance	16	69%	6	83%

Training period

Training attestations issued in 2001

A training attestation is the official document setting out the term of the training period and authorizing an individual to pursue legally throughout his training period, some of the activities of a representative.

Number of training attestations	2,732

1. Includes the first and the second supplemental examinations.

SUPERVISION

Regulations

One of the main mandates assigned to the Bureau is to draft the regulations and to amend and adjust them as necessary. In addition to technical corrections, the regulations were amended to allow the setting-up of the Bureau's projects and initiatives.

Draft Regulations

Amending:

- The *Regulation respecting the issuance and renewal of representatives' certificates* (Regulation No. 1)

  The object of the amendments to this Regulation was to:

  - provide for new minimum training requirements for the group insurance sector;
  - introduce the three options for requalification of group insurance representatives;
  - provide for the application of the Work-Study Learning Program (WSLP) with respect to the personal-lines damage insurance and the claims adjustment for personal-lines damage insurance sector classes;
  - postpone the application of the new requirements for access to the career regarding the damage insurance and claims adjustment sectors;
  - put an end to the Studies Certification Training Program;
  - introduce new conditions for the renewal of representatives' certificates.

Opinions to the Government

The Bureau is responsible, upon request, for providing opinions to the government, pursuant to section 428 of the Act. In fact, sections 427 and 428 of the Act allow the Government to order that regulatory schemes, with or without a representative may be interchanged, regarding an insurance product for any person (distributor/insurer) it indicates. The Act provides that the opinion of the Bureau be obtained before the Government orders that a product subject to distribution with a representative may be offered directly through distributors.

In 2001, further to an analysis of the Committee on Access to Insurance, the Board of the Bureau issued seven opinions concerning distribution without a representative:

- Three opinions on the amendments made to the "Sécurivie" product of the AVDL;
- Four opinions on the products offered by the Sociétés nationales des Québécoises et des Québécois and the Sociétés St-Jean-Baptiste.

Directives

On several occasions, the Bureau was asked to give its interpretation on various sections of the Act. To that effect, several interpretation and application directives were adopted in 2001.

- Directive concerning commission sharing, in reference to sections 100 and 101 of the *Act respecting the distribution of financial products and services* (Ref.: Bulletin No. 11, February 5, 2001);
- Directive concerning the obligations of disclosure of distributors pursuant to sections 431 to 433 of the *Act respecting the distribution of financial products and services* (Ref.: Bulletin No. 13, April 9, 2001);
- Directive on section 33 of the *Act respecting the distribution of financial products and services* concerning the use of separate forms (Ref.: Bulletin No. 14, May 30, 2001);
- Reminder of the Directive of application concerning the definition of a claims adjuster (Ref.: Bulletin No. 20, December 5, 2001);
- Interpretation directive concerning the term of application of section 540 of the *Act respecting the distribution of financial products and services* (Ref.: Bulletin No. 20, December 5, 2001);
- Directive concerning the complaints register (Ref.: Bulletin No. 20, December 5, 2001);
- Procedure for the block transfer of clients' records between securities firms (Ref.: Bulletin No. 20, December 5, 2001). In this respect, the members of the Ad Hoc Committee for Harmonization Between Group Savings and Segregated Funds participated in the preparation of this directive.

Moratoriums

To continue the gradual implementation of the new obligations prescribed under the *Act respecting the distribution of financial products and services*, the Bureau extended in 2001 the term of two moratoriums concerning the following obligations:

- Moratorium on training in financial planning: for an indefinite period of time;
- Moratorium on the complaints register: lifting of the memorandum on March 31, 2002.

Preparation of three draft regulations

In terms of regulations, the Bureau finalized the following projects in 2001: the directive on the complaints registers kept by registrants, requalification in group insurance and the Work-Study Learning Program.

Complaints register

According to the Act, firms, independent representatives and independent partnerships are required to hold a register of the complaints filed by their clients, and to process these complaints with diligence, in accordance with the standards set by regulation. However, as the legislator did not define the term "complaint", the Bureau held consultations with consumer representatives as well as with industry stakeholders. It also made comparisons with what was being done elsewhere in Canada and in related fields. Afterward, it finalized its directive concerning the obligations imposed on registrants to hold a complaints register. This directive will come into effect on April 1, 2002. This item constitutes a linchpin for the complaints process mechanism, and the settlement of disputes already provided for under Bill 188.

Requalification in group insurance

The obligation to requalify in group insurance and annuities concerns representatives who were authorized to offer these products under Bill 134 and who benefited from acquired rights when Bill 188 went into effect.

Prepared in collaboration with the people in the field, this requalification process offers three options:

Option 1: Equivalency of past training recognized by the Bureau

Option 2: Examinations administered by the Bureau

Option 3: Structured training of 12 or 18 hours, recognized by the Bureau

These options take into account the individuals' learning experience and put forward a philosophy of progressive enhancement of the requirements for access to the career in the group insurance sector and its classes.

After consultation, the Board of Directors adopted in November 2001 the final version of the Regulation amending the *Regulation respecting the issuance and renewal of representatives' certificates*, which included the amendments required for the implementation of the requalification process.

At the same time, the administrative infrastructure was set up so as to allow all the people who wish to do so.

The Work-Study Learning Program

The object of the Work-Study Learning Program (WSLP) is to provide a new way of access to the career by making it easier to recruit new candidates in the personal-lines damage insurance and claims adjustment sector classes. By keeping course on efforts toward the enhancement of the requirements for access to the career, the WSLP allows the candidates to offer products while they study, over a maximum three-year period, as they meet the basic training requirements of the Bureau.

The training and pre-certification branch, in collaboration with the legal affairs branch of the Bureau, submitted this project to the Committee on the Impacts of the Enhancement of Minimum Training. Concerned by the shortage of manpower reported in the damage insurance sector, this committee recommended to the Board of the Bureau that this project be implemented. In November 2001, further to a consultation, the Bureau adopted the final version of the regulation required for the implementation of this new work-study learning program and to make it available by March 2002.

The training and pre-certification branch made all the changes necessary for the implementation of the group insurance requalification process as well as the startup of the WSLP. In addition to the organization of the work procedures linked to these projects, various tools were developed, in particular the drafting of guides for the recognition of training applications, the preparation of new examinations and the computer development of the database.

Issues submitted to the Bureau

- **Fight against terrorism**

  Further to the events of September 11, 2001, anti-terrorism measures were reinforced in several fields. As a regulatory organization, the Bureau participated in the implementation of a disclosure system of the assets that could be owned by clients that are presumed terrorists.

- **The Money Laundering Bill**

  The Bureau's inspection and investigation department documented and followed the development of the legislation regarding money laundering, so as to inform the registrants in 2002 of the new requirements on this matter. This issue will remain under study in 2002.

- **Respect of confidentiality**

  The Commission d'accès à l'information du Québec (CAI) took on the task to find out the situation of the financial services industry as regard the protection of its clients' personal information. In that context, the CAI first became acquainted with our role in terms of the protection of personal information. Afterward, it examined what the Bureau's inspection and investigation department had noted in the industry in the course of its inspections. The CAI's report will be tabled in 2002. This report should also specify the expectations of the CAI regarding the information that the Bureau must forward periodically to this organization, in accordance with section 113 of the Act.

- **Task force on the concept of offer**

  Made up of Board members of the Bureau, the primary goal of this task force is to determine the scope of the concepts of referencing and advertising that is permitted to financial institutions and mutual fund organizations under section 12 of the Act. This work will make it possible to better define the activities that are exclusive to representatives and registrants.

Inspection and Investigations

Year 2001 was marked by the launch of routine inspections in firms, in other words, an inspector of the Bureau visits registrants in their establishments. Routine remote inspections were also conducted using the "self-evaluation guide," a tool designed by the Bureau to verify whether practices are in conformity.

The inspection and investigation department thus conducted 67 inspections by visiting registrants' establishments and 79 remote inspections. In addition, once a year, the Bureau conducts surprise inspections of firms. In 2001, the Bureau visited a group savings plan firm that has its head office and seven of its establishments in Québec.

In exercising this supervisory role, the Bureau noted misunderstandings on the part of registrants concerning the keeping and the management of separate accounts. The work to solve this problem will be done in 2002.

In 2001, the inspection and investigation department received a total of:

- 125 requests for investigation concerning registrants;
- 142 requests for investigation concerning offences for illegal practice and illegal use of a title;
- 9 requests for investigation concerning the distribution without a representative.

Detailed picture of requests for investigation concerning registrants according to the alleged fault

Nature of the alleged fault	Current cases	Hearing before the decision-making committee on representatives or on registrants	Cases closed for insufficient evidence	Inadmissible complaint	Warning given to a registrant	Investigation suspended	Unfounded complaint
Failure to act with honesty and loyalty in their relations with clients	14			9	3		1
Failure to act with care and competence	28	1	2	7			15
Failure to supervise adequately one's representatives, employees or officers	16		1		5		11
Bankrupt registrant	1						
Practices not in conformity with the legal requirements						1	
Advertisement not in conformity with the legal requirements	4				1		5

Adjudication

The overall controls and powers described below allow the Bureau to act rapidly when it considers that the protection of the public is in jeopardy, either before the rights to practice are issued or, in certain cases, during the practice.

The *Act respecting the distribution of financial products and services* confers on the Bureau a discretionary power to revoke a representative's certificate, to suspend it, to refuse to issue it, or to impose conditions or restrictions on it, when its holder has been declared bankrupt, has been convicted of a criminal offence or an indictable offence linked with a representative's activity, or has previously had his right to practice suspended or revoked.

In addition, section 220 of the Act allows the Bureau to refuse to issue a certificate if it is of the opinion that the applicant does not possess the degree of honesty it considers necessary to pursue activities in one of the sectors, or if he is in a situation that is incompatible with the pursuit of such activities.

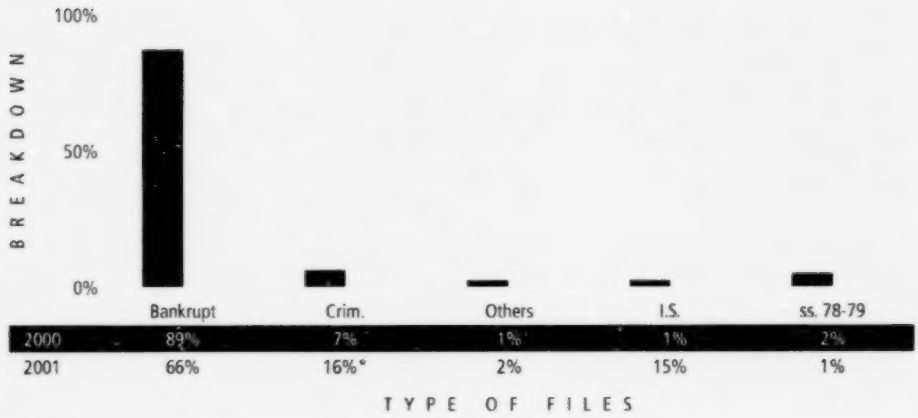
In order to rule with diligence on the application of these powers, the Bureau set up a decision-making committee on representatives. The committee also plays a consultative role with the Board of the Bureau concerning the application of sections 78 and 79 of the Act.

In addition, the Board of the Bureau may set up a decision-making committee on registrants, made up of three of its members, to impose sanctions, where applicable, on firms, independent representatives and independent partnerships that do not comply with the obligations prescribed in the Act and the regulations, or where public protection so requires.

Decision-making committee on representatives

During year 2001, the committee met eleven times to analyze a total of 488 claims for bankruptcy, conviction for an indictable offence or a criminal act (crim. act), incompatible situations (I.S.) and others. At this point in time, it is difficult to state that the total number of declarations analyzed in 2001 will constitute a reference for future years.

Declarations analysed



- *Approximately 80% of the convictions for an indictable offence or a criminal act are traffic violations to the Highway Safety Code.*

The object of the decisions of the decision-making committee on representatives is not to punish a representative or a candidate for present or past personal acts. In fact, the committee's work is done in a spirit of prevention and is intended to assess the risks that the situations mentioned above could represent for consumers. Thus, in one-third of the cases, the committee deemed it important to act and impose measures so as not to jeopardize the protection of the public. On the other hand, the decision-making committee does not replace the discipline committees in imposing sanctions for offences against the code of ethics.

Decision-making committee on registrants

A decision-making committee on registrants was set up in October 2001 to examine some twenty cases of firms that had shown significant delays in complying with the regulatory requirements regarding the maintenance of their registration since October 2000. However, before convening the registrants to hear their comments, formal notices to comply with the requirements were forwarded and a problem-solving approach was set up to allow a quick settlement of these cases. The decision-making committee on registrants therefore did not convene any registrant in 2001, and the first hearings will be held, as necessary, in 2002.

Distribution Without a Representative

Approval of the distribution guides

At the beginning of 2001, the Bureau had 113 guides to examine. During the year, it received 40 new distribution guides for analysis and approval. Throughout year 2001, 67 guides were analyzed, 29 of which were approved by the Bureau. The other guides were subject to corrections by the insurers, at the request of the Bureau.

These guides are distributed according to the following categories:

Category of products	Guides examined	Guides approved
Automobile credit insurance	35	22
Mortgage loan credit insurance	16	5
Travel insurance	5	0
Personal loan credit insurance	5	0
General loan credit insurance	3	2
Line of credit insurance	2	0
Business loan credit insurance	1	0
TOTAL	**67**	**29**

As some guides were taken off the market, 82 distribution guides remain to be examined at the end of year 2001. A first examination of these guides should be completed by the end of 2002.

In addition to examining the distribution guides, the Bureau may investigate complaints of a penal nature and take legal action if necessary. The Bureau makes available to the general public the register of distribution guides.

The Bureau was also mandated by the Act to resolve disputes pertaining to the distribution without a representative, specifying that it examines complaints of a civil nature and may forward them to the distributor and the insurer concerned. The Bureau must also include, in a periodical report published in its Bulletin, the types of civil complaints that it has received.

It should be noted that, in 2001, the Bureau received four requests for investigations: two of a penal nature and two of a civil nature.

CONSOLIDATION OF THE BUREAU'S OPERATIONS

For a better quality of our customer service

Reengineering the Work processes

Announced in 2000, the reengineering of the work processes was required as a means of better reflecting the way of doing things and the processing of certification and registration files, in accordance with the requirements of Bill 188, which is based in particular on multidisciplinarity and the choice of a way of carrying on business. This restructuring operation proved to be necessary to reach our goal of expediency in the processing of applications and customer service.

While pursuing the daily activities of the certification and registration branch and the preparation of the April 2001 elections to the Chambers, six task forces were set up to meet the requests of both representatives and firms. In addition, a "quality" team established production control and development mechanisms with a view to improving efficiency.

Implemented following a three-month pilot project, this restructuring plan approved by the Board started to pay off in the fall, and it did not take long for the industry to express its satisfaction.

Streamlining the Maintenance of Registration

The maintenance of registration process of firms, independent partnerships and independent representatives represents an enormous amount of work of data reconciling, for both the industry and the Bureau. To make the updating of registration files easier, in particular the description of the representatives attached to the firms and partnerships, a new three-stage procedure made it possible to structure all the operations pertaining to maintenance. For a better understanding of the operation, the Bureau informed the industry through a press release sent to the media and partner organizations, as well as through its official Bulletin and Website. In addition, each registrant received an explanatory guide on the three major stages of the maintenance of registration process, together with revised and amended forms.

The firms and partnerships were followed and supported by a team of analysts assigned on a full-time basis to this operation. Thus, most of the firms (approximately 2,310 firms out of 2,464) could maintain their registration as of October 1, 2001, in a context that was easier for everyone. With this procedure, the maintenance operations were conducted in a very efficient and effective way. The results are conclusive.

Results of the maintenance of registration operation

- As of December 16, 85% of the maintenance files had been completed and confirmed to the industry;
- 10% were being processed and only 5% had not been sent to the Bureau.

Performance Indicators

The implementation of performance indicators by the executive staff has made it possible for the Bureau to highlight the work accomplished during this year of consolidation of the operations. All these indicators showed substantial improvement during the last fiscal year.

Comparison of the average time required to perform the main operations pre-certification, certification and registration between April and December 2001.

Operations	Average time in April 2001	Average time in December 2001
Study of applications for the recognition of experience	6 days	5 days
Issuance of attestations for the level of education equivalent to the Diploma of College Studies	12 days	7 days
Correction of examinations	7 days	6 days
Issuance of training attestations	9 days	6 days
Issuance of certificates	30 days	6 days
Certificate renewals	10 days	3 days
Registration of firms	10 days	5 days
Maintenance of registration of firms		
• From 1 to 32 representatives	45 days	15 days
• From 33 to 250 representatives	60 days	25 days
• More than 250 representatives	120 days	30 days

Time required by the Information and Referral Centre to answer inquiries from consumers and the industry

At the end of the year,

- the phone abandonment rate for the industry line was 1%;
- the phone abandonment rate for the consumer line was 2%;
- the time for transferring complaints received by the Bureau to the organization concerned had decreased to 6 days.

Investigation times

- To process the volume of investigations, the inspection and investigation department takes an average time of 100 days for the processing of a complaint.
- To process its files, the decision-making committee on representatives analyses the cases efficiently by maintaining an average time of 30 days per file examined.

THE INFORMATION AND REFERRAL CENTRE AND THE BUREAU'S INFLUENCE

The Information and Referral Centre – *A more consistent and efficient service for the industry and consumers*

The Act mandated the Bureau to act as an Information and Referral Centre in the insurance field. In conjunction with its other partners, this call center informs consumers on their rights and the recourses provided for under the Act. More specifically, it serves as a clearinghouse for consumers' complaints and refers the public to the various competent authorities, in particular the Chambre de la sécurité financière and the Chambre de l'assurance de dommages. Furthermore, it guides the industry in any step having to do with to the supervision of the distribution of financial products and services.

Further to the fine tuning of the internal procedures, the remedial action taken concerning the certification and registration branch, the standardization of the work processes and the improvement of the telephone system capabilities, the Information and Referral Centre (IRC) was able to provide to its clientele a more consistent and more efficient service in 2001. In particular, the improvement of the IRC's performance materialized through a decrease in the waiting time and in the rate of phone abandonment.

Inquiries

In 2001, the IRC received a total number of 75,815 calls:

- 60,477 calls came from people from the industry, in comparison with 100,000 calls in 2000;
- 15,338 calls came from consumers, in comparison with 8,000 calls in 2000.

For year 2001, we noted a decrease in the number of calls from the industry, which coincided with the end of the transitional measures and a better general understanding of the supervision of Bill 188. The increase in the number of inquiries from consumers means that the Bureau and the IRC are better known.

Although inquiries from the industry were varied, most of the calls concern the ways of access to the professional practice, the renewal or reinstatement of certificates, as well as the billing.

As a rule, the types of calls made by consumers were of a preventive nature. More particularly, consumers inquired on the validity of a representative's or registrant's right to practice, as well as on their rights concerning, for example, the cancellation of an insurance contract, or the refusal of an insurer to pay a benefit or to cover a risk.

In addition, the IRC agents received more than 1,000 visitors at the Québec and Montréal offices.

Complaints

As part of its mandate, which consists of serving as the clearinghouse of consumers' complaints, the IRC received more than 550 complaints that were summarily examined and then forwarded to the competent authorities. Close to one-half of these complaints had to do with breach of ethics and were forwarded to the syndic or cosyndic of the Chambre de la sécurité financière or the Chambre de l'assurance de dommages. As far as the other complaints were concerned, they pertained to registrants, individuals who did not hold a certificate, insurance companies or other financial institutions.

Dispatching of complaints* received at the IRC to the competent authorities

Organizations	Number of complaints
Bureau des services financiers	276 **
Fonds d'indemnisation des services financiers	16
Syndic of the Chambre de la sécurité financière	203
Cosyndic of the Chambre de la sécurité financière	56
Syndic of the Chambre de l'assurance de dommages	49
Canadian Life and Health Insurance Association (CLHIA)	38
Insurance Bureau of Canada (IBC)	11
Commission des valeurs mobilières du Québec (CVMQ)	10
Inspector General of Financial Institutions (IGFI)	5
Professional orders	2
Total number of complaints received by the Bureau des services financiers	**666**

* *The processing of complaints is specific to each organization. A complaint does not necessarily lead to the opening of a file. In addition, any of the bodies listed may receive complaints directly; consequently, these complaints are not accounted for in this table.*

** *109 complaints were received directly by the Inspection and Investigation department of the Bureau.*

Participation in pan-Canadian Regroupings in the Financial Sector groups – *Québec increases its presence*

Coordinated by the corporate secretary, with the support of the legal affairs branch, the participation of the Bureau in the activities of pan-Canadian regroupings was increased in 2001. The Bureau officially became a member of the Joint Forum of Financial Market Regulators of Canada (Joint Forum). The Bureau is now therefore recognized as a unique multidisciplinary regulatory organization.

The Bureau took part in various sectional forums grouping together the regulatory organizations of the other provinces in their fields of competence, namely:

- the Canadian Council of Insurance Regulators (CCIR);
- the Canadian Insurance Services Regulatory Organization (CISRO); and
- the Joint Forum of Financial Market Regulators of Canada (Joint Forum), which includes the regrouping of regulatory bodies in the fields of insurance, securities and pension plans.

The object of these regroupings or forums is to promote the harmonization of regulations between the jurisdictions, which is called for by many stakeholders. Although Québec is in favour of such harmonization, it intends to preserve its jurisdictions.

In this respect, to promote Québec's concerted position, the ministère des Finances created the Joint Forum of Financial Market Regulators of Québec. This group includes personnel from the following organizations:

- the Commission des valeurs mobilières du Québec;
- the Inspector General of Financial Institutions;
- the Régie des rentes du Québec;
- the Bureau des services financiers;
- the Secrétariat aux affaires intergouvernementales canadiennes;
- the Québec ministère des Finances.

The participants in the Québec Forum inform each other on the progress of the work of the various pan-Canadian or international committees and forums and consult each other on the orientations to take.

The Bureau is taking stock of these various initiatives through its committees, particularly the monitoring committee. The following issues have been identified as priorities.

- Handling of consumers' complaints and dispute resolution – (Joint Forum)

  Québec did not take part in this project because it undertook its own revision process of the way of handling complaints and resolving disputes in the financial sector. It had, besides, already introduced certain complaint handling mechanisms for the purposes of the distribution and the insurance field as part of Bill 188, within the Information and Referral Centre of the Bureau.

Last December, the associations of the Canadian sector of financial services representing the major industries, namely banks, life and health insurers, property and casualty insurers, securities brokers and mutual funds brokers, announced the creation of the National Financial Services Ombudservice (NFSO). The new service, which should be in place by July 1, 2002, would provide a one-stop service outlet where consumers of financial services could set out a problem or lodge a complaint. Coordination with Québec's complaint handling mechanisms will be subject to discussions in 2002.

- Harmonization of regulations governing segregated funds and mutual funds (Joint Forum)

  This issue is followed by the Bureau's Ad Hoc Committee for Harmonization between Group Savings and Segregated Funds.

- The proficiency of intermediaries and the granting of licences, under the committee on "Practice Standards" common to all sectors and all distribution modes – (Joint Forum)

  Concerning this issue, Québec has withdrawn from the public consultation pertaining to this voluntary code of practice, because of basic problems linked with its applicability and its scope. On the other hand, within the framework of Bill 188 and its regulations, there is no doubt that Québec already meets the standards enacted in this "code."

- Proficiency requirements for financial planners – (Joint Forum)

  Québec already has an integrated system for the supervision of financial planners. It follows the evolution of what is proposed in the other jurisdictions.

- E-commerce – (CCIR)

  The Bureau has also been involved in the preparatory work of the committee on direct distribution initiated by the ministère des Finances.

- The "Working Group on the Securities Settlement System"

  The Working Group is mandated to measure the impacts and to ensure the implementation of the amendments required for the setting-up of the Canadian project to shorten the settlement period to T+1 (day of processing + 1 day).

- The "Working Group on the *Regulations Respecting Capital Accumulation Pension Plans*"

  The report of the Joint Forum of Financial Market Regulators, entitled "Proposed Regulatory Principles for Capital Accumulation Plans" was submitted to the Task Force.

  Its mandate consisted in describing the current situation regarding the protection of consumers, plan promoters and administrators, concerning pooled arrangements with investment options. The Working Group should also make recommendations concerning the proposals contained in the report of the Joint Forum.

1. *The Canadian Bankers Association (CBA), the Canadian Life and Health Insurance Association (CLHIA), the Insurance Bureau of Canada (IBC), the Investment Dealers Association of Canada (IDA), the Investment Funds Institute of Canada (IFIC) and the Mutual Fund Dealers Association (MFDA).*

The Mutual Fund Dealers Association (MFDA)

The establishment of the Mutual Fund Dealers Association (MFDA), and the recognition of this self-regulatory organization in matters of mutual funds in other Canadian provinces have an impact on the firms registered with the Bureau that also do business across Canada. Discussions have been initiated between this Association and the Bureau in an effort to come up with an agreement concerning a mechanism for the exchange of the information pertaining to the persons acting in their respective jurisdictions. A follow-up of the situation will be published in the Bureau's Bulletin.

Participation in Conventions and Conferences

The President and the other members of the executive staff gave many conferences. The following events in which the Bureau participated are particularly noteworthy:

- from January 18 to 21, in Québec, and from January 26 to 29, 2001, in Montréal – First participation in the Savings and Investment Marketplace, to meet consumers of financial products and services
- April 26, 2001 – Participation in the "Lifestyle Summit," organized by the insurance of persons industry and the Independent Financial Security Brokers of Canada
- On October 25 and 26, 2001 – Second participation in the Convention of the Regroupement des cabinets de courtage d'assurance de dommages du Québec (RCCAQ)
- November 13, 2001 – Third participation in the Congrès de l'assurance et des produits financiers (the *Insurance and Financial Products Convention*).

Relations with the Press

- Ongoing relations with the press, with specialized media of the industry and the media intended for the general public
- August 29, 2001 – First interview of the Bureau given at the French program *La Facture* as a consultant, concerning the provisions of the Act that pertain to distribution without a representative (the program was aired on November 6, 2001).

Publications of the Bureau

- Ten issues of the official Bulletin of the Bureau

  The object of this publication is to inform the industry on the main activities of the Bureau with regard to, in particular, the regulations and the directives issuing therefrom. The hearing roll and the summary of the decisions of the discipline committees of the Chambre de la sécurité financière and the Chambre de l'assurance de dommages are included in the Bulletin.

- Two issues of the Bulletin *The News published* by the training and pre-certification branch

  The publication *The News* presents the amendments to the *Regulation respecting the issuance and renewal of representatives' certificates* (Regulation No. 1) as well as the administrative procedures issuing therefrom. This bi-annual bulletin is a reference for all that concerns the minimum training requirements, the examinations, the training period and the training material.

- Updating of the *Petit Guide BSF*

  A choice tool for anyone wishing to become familiar with the requirements to access to the practice, the *Petit Guide* has expanded its mandate to inform industry professionals.

  As a matter of fact, Info sheets pertaining to the sectors and those detailing how to obtain and maintain the right to practice have been updated and will be available in 2002. The *Petit Guide BSF* will include, from now on, five new info sheets on representatives' and registrants' activities, namely:

  - Professional liability insurance
  - Commission sharing
  - Payment of the remuneration of representatives and registrants
  - Block transfer of clients'records in the securities sector
  - Inspection of registrants

- 2000 Annual Report of the Bureau des services financiers

Reference material for the examinations prescribed by the Bureau

- Updating of the reference manuals for the damage insurance and claims adjustment sectors, the reference manual for automobile insurance and the reference manual entitled *Legal concepts and legislation in damage insurance and claims adjustment*
- Preparation of the new reference manual for claims adjustment, which will be available in 2002
- Preparation of two new reference manuals for accident and health insurance, which will be available in 2002 in both French and English
- All the reference manuals for the examinations of the Bureau are now offered in both French and English.

Website – www.bsf-qc.com

- Revision of the structure of the Bureau's Website (industry portion) for improved user-friendliness and to expand the content.

FINANCIAL STATEMENTS

Auditors' Report

To the Directors of Bureau des services financiers

We have audited the balance sheet of Bureau des services financiers as at December 31, 2001 and the statements of revenues and expenses, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Bureau des services financiers's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The accounts for the year ended December 31, 2000, shown for comparative purposes, were reported on by other auditors.

Chartered Accountants

Lévis

February 11, 2002

Statement of Revenues and Expenses

Year ended December 31, 2001

	2001	2000
Revenues	**$**	**$**
Contributions	6,503,802	5,528,119
Study of files	898,775	741,331
Sales of manuals and forms	688,237	465,986
Examinations	450,602	497,729
Other services	36,859	61,423
Fees of the Chambers and Regroupement des cabinets de courtage du Québec	28,505	27,422
Dues - Centre collégial de formation à distance	24,645	44,760
Analysis of distribution guides	19,501	26,120
Interest	101,910	143,698
	8,752,836	7,536,588
Expenses		
Salaries	4,967,500	3,822,695
Fringe benefits	770,305	589,015
Directors' fees	51,556	83,798
Committee members' fees	25,450	46,900
Training expenses	31,272	18,471
Rental expenses	489,087	366,783
External professional services	409,125	372,270
Costs of manuals and forms sold	252,849	148,407
Mail and courier services	228,493	210,280
Telecommunications	198,074	213,049
Office supplies and stationery	179,840	144,538
Travel expenses	170,617	205,839
Publication and communications	117,175	233,134
Examination of candidates	90,542	136,207
Taxes and permits	80,670	62,422
Translation	51,819	26,529
Maintenance and repairs	48,989	34,452
Insurance	41,372	40,230
Information and telephone systems	38,558	16,596
Advertising	27,564	35,243
Rental of equipment	15,148	18,597
Doubtful accounts	11,510	9,611
Fees relative to illegal practice	4,449	21,628
Fees relative to the Act	(18,000)	(483,321)
Bank charges	55,936	57,824
Amortization of capital assets	767,631	426,033
Amortization of start-up costs	624,482	624,482
Loss on the disposal of assets	508	440
	9,732,521	7,482,152
Excess (deficiency) of revenues over expenses	(979,685)	54,436

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Year ended December 31, 2001

	Invested in capital assets	Unrestricted	2001	2000
	$	$	$	$
Balance at beginning of year	1,728,897	584,234	**2,313,131**	2,258,695
Excess (deficiency) of revenues over expenses	(768,139)	(211,546)	**(979,685)**	54,436
Acquisition of capital assets	704,529	(704,529)		
Balance at end of year	1,665,287	(331,841)	**1,333,446**	2,313,131

Cash Flow Statement

Year ended December 31, 2001

	2001	2000
OPERATING ACTIVITIES	$	$
Excess (deficiency) of revenues over expenses	(979,685)	54,436
Non-cash items		
Amortization of capital assets	767,631	426,033
Amortization of start-up costs	624,482	624,482
Loss on the disposal of capital assets	508	440
	412,936	1,105,391
Changes in non-cash working capital items (note 4)	440,980	1,648,348
Net cash flow	853,916	2,753,739
INVESTING ACTIVITIES	$	$
Capital assets	(704,529)	(1,420,525)
Disposal of capital assets		3,000
Start-up costs		332,000
Net cash flow	(704,529)	(1,085,525)
Net increase in cash and short-term investments	149,387	1,668,214
Cash and short-term investments at beginning of year	3,146,289	1,478,075
Cash and short-term investments at end of year	3,295,676	3,146,289

The accompanying notes are an integral part of the financial statements.

Balance Sheet

December 31, 2001

	2001	2000
ASSETS	$	$
Current assets		
Cash	25,676	51,289
Short-term investments (note 5)	3,270,000	3,095,000
Receivables (note 6)	157,466	272,656
Inventory	101,519	119,150
Prepaid expenses	228,908	151,879
	3,783,569	3,689,974
Capital assets (note 7)	1,665,287	1,728,897
Start-up costs (note 8)	1,717,324	2,341,806
	7,166,180	7,760,677
LIABILITIES	$	$
Current liabilities		
Payables (note 9)	1,675,610	1,892,042
Deferred income	3,084,605	2,657,778
Prepaid income	1,072,519	897,726
	5,832,734	5,447,546
Net assets		
Invested in capital assets	1,665,287	1,728,897
Unrestricted	(331,841)	584, 234
	1,333,446	2,313,131
	7,166,180	7,760,677

On behalf of the Board,

Director

Director

The accompanying notes are an integral part of the financial statements.

Notes to financial statements

as at December 31, 2001

1 - STATUTES AND NATURE OF THE ACTIVITIES

The mission of the Bureau des services financiers, which was created under the *Act respecting the distribution of financial products and services* adopted on June 19, 1998, is to ensure the protection of the public as regards the distribution of financial products and services in the fields of activity under its authority, namely: insurance of persons, group insurance of persons, damage insurance, claims adjustment, financial planning, group savings plan brokerage, investment contract brokerage and scholarship plan brokerage.

In accordance with the Act, the Bureau is a legal person. It is not a public body, a government body or agency, or a government corporation within the meaning of the *Financial Administration Act*, the *Act respecting the Ministère des Affaires internationales, de l'Immigration et des Communautés culturelles*, the *Act respecting the Ministère du Conseil exécutif or the Auditor General Act*.

When certain provisions of the *Act respecting the distribution of financial products and services* came into force, the property, rights and obligations of the Conseil des assurances de personnes and the Conseil des assurances de dommages were transferred to the Bureau des services financiers.

2 - NON-CONSOLIDATED CONTROLLED ORGANIZATION AND RELATED PARTY TRANSACTIONS

The Bureau des services financiers exercises a control over the Fonds d'indemnisation des services financiers, appointing the members of this Fund's Board of Directors under the *Act respecting the distribution of financial products and services*. It also determines the Fonds d'indemnisation des services financiers' by-laws and has set the rules governing claim administration and eligibility. The mission and responsibility of the Fonds d'indemnisation des services financiers are to administer funds deposited with the Fund and to compensate individuals who have been the victims of fraud, fraudulent tactics or embezzlement for which a firm, independent representative or an independent company may be held liable in connection with its activities. The Fonds d'indemnisation des services financiers has responsibility for deciding the eligibility of claims. It also determines its operating expenses.

The financial statements of the Fonds d'indemnisation des services financiers are available on request. The condensed financial statements of the Fonds d'indemnisation des services financiers as at December 31, 2001 and 2000 and for the years then ended are as follows:

2 - NON-CONSOLIDATED CONTROLLED ORGANIZATION AND RELATED PARTY TRANSACTIONS

	2001	2000
Financial position	**$**	**$**
Total assets	**6,194,422**	4,161,299
Total liabilities	**3,376,851**	2,867,511
Fund balance	**2,817,571**	1,293,788
	6,194,422	4,161,299
Results of operations		
Total revenues	**2,551,412**	3,076,183
Total expenses	**1,027,629**	2,381,561
Excess of revenues over expenses	**1,523,783**	694,622

The Bureau des services financiers makes available to the Fonds d'indemnisation des services financiers human resources, capital assets and rental space. During the year, the Bureau des services financiers charged $220,653 ($160,991 in 2000) for the use of these resources. These transactions were concluded in the normal course of the organizations' operations and were measured at the exchange amount, i.e. the value determined and accepted by the parties. As at December 31, 2001, the Fonds d'indemnisation des services financiers owed $23,699 ($89,568 in 2000) for such services.

Moreover, the Bureau des services financiers collects dues on behalf of the Fonds d'indemnisation des services financiers. Contributors to the Fonds d'indemnisation des services financiers are firms, independent partnerships and independent representatives registered with the Bureau des services financiers. As at December 31, 2001, the balance of dues collected by the Bureau des services financiers to be remitted to the Fonds d'indemnisation des services financiers was $115,550 ($288,149 in 2000).

3 - ACCOUNTING POLICIES

Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's best knowledge of current events and actions that the Organization may undertake in the future. Actual results may differ from those estimates.

Inventory valuation

The inventory, which consists mainly of training manuals, is valued at the lower of cost or replacement cost, cost being based on the average cost method.

3 - ACCOUNTING POLICIES

Short-term investments

Short-term investments are evaluated at cost.

Start-up costs

Start-up costs were incurred for the establishment of the Bureau des services financiers. These expenses represent mainly the remuneration and professional fees for the purpose of hiring human resources, and expenses relating to the holding of the first meetings of the Board. The fees are amortized according to the straight-line method over a five-year period ending October 1, 2004.

Amortization

Capital assets are accounted for at cost and amortized over their estimated useful lives using the straight-line method over the following periods:

Office furniture and equipment	5 years
Computers, software, systems development and training material	3 years
Leasehold improvements	Remaining term of the leases

Income recognition

Income from contributions

Income from contributions is accounted for according to the accrual basis of accounting. The amounts invoiced for a period exceeding the end of the year are accounted for as deferred income.

Income other than contributions

Income other than contributions is accounted for when the supply is delivered or the service provided.

Prepaid income

Prepaid income represents the amounts received in respect of income belonging to the year starting January 1, 2002.

4 - INFORMATION INCLUDED IN THE CASH FLOW STATEMENT

The changes in non-cash working capital items are detailed as follows:

	2001	2000
	$	$
Receivables	**115,190**	2,325,844
Inventory	**17,631**	15,400
Prepaid expenses	**(77,029)**	(91,301)
Payables	**(216,432)**	(522,540)
Deferred income	**426,827**	(976,781)
Income collected in advance	**174,793**	897,726
	440,980	1,648,348

5 - SHORT-TERM INVESTMENT

Short-term investments are comprised of term deposits bearing interest at rates varying between 2.15% and 4.0%, and expire on different dates up to September 2002.

6 - RECEIVABLES

	2001	2000
	$	$
Contributions	109,384	136,412
Other	48,082	136,244
	157,466	272,656

7 - FIXED ASSETS

			2001
	Cost	Accumulated amortization	Unamortized cost
	$	$	$
Office furniture and equipment	465,121	161,786	303,335
Data processing equipment and software	845,103	438,289	406,814
Systems development	1,096,195	503,264	592,931
Training material	306,902	80,414	226,488
Leasehold improvements	213,860	78,141	135,719
	2,927,181	1,261,894	1,665,287

			2000
	Cost	Accumulated amortization	Unamortized cost
	$	$	$
Office furniture and equipment	360,573	76,145	284,428
Data processing equipment and software	686,456	187,490	498,966
Systems development	803,110	191,061	612,049
Training material	182,434	9,120	173,314
Leasehold improvements	191,043	30,903	160,140
	2,223,616	494,719	1,728,897

8 - START-UP COSTS

	Cost	Accumulated amortization	2001 Unamortized cost
	$	$	$
Start-up costs	**3,139,883**	**1,422,559**	**1,717,324**

	Cost	Accumulated amortization	2000 Unamortized cost
	$	$	$
Start-up costs	3,139,883	798,077	2,341,806

9 - PAYABLES

	2001	2000
	$	$
Accounts payable and accrued liabilities	**1,169,738**	1,323,977
Fonds d'indemnisation des services financiers	**91,851**	198,581
Chambre de la sécurité financière	**33,564**	64,666
Chambre de l'assurance de dommages	**380,457**	304,818
	1,675,610	1,892,042

10 - ADVANCE FROM THE MINISTÈRE DES FINANCES DU QUÉBEC AND BANK LOAN

The temporary loan authorized under order 105-2001, for an authorized amount of $3,000,000 bears interest at the one-month banker's acceptance interest rate plus 0.3% and is renegociable in December 2002. As at December 31, 2001, the balance of this advance is $0.

11 - COMMITMENTS

The Organization undertook, under the long-term leases expiring on different dates up to 2006, to pay an amount of $2,630,885 for the rental of its offices located in Québec City and Montréal, and for the rental of office equipment. Minimum lease payments for the next five years are $625,693 in 2002, $662,396 in 2003, $558,287 in 2004, $392,518 in 2005, and $391,991 in 2006.

Moreover, under a group registered retirement savings plan, the Bureau des services financiers undertook to pay an amount equal to the employee contributions that meet the terms for employer contributions to a maximum of 5% of the employee's annual salary. The contribution expense for the year is $154,985 ($113,653 in 2000).

12 - EMPLOYEES' FUTURE BENEFITS

Pursuant to employment contracts concluded with its employees, the Bureau des services financiers pays severance compensation. The obligations, assets, charges as well as the basic information relating to the benefits offered to the employees are as follows:

Accrued benefit liability

	2001	2000
	$	$
Balance, beginning of year	26 000	
Current service cost	17 000	26 000
Balance, end of year	43 000	26 000

The significant actuarial assumptions used by the Organization to evaluate its severance compensation obligations are the following:

	2001	2000
Discount rate	4%	5%
Rate of salary escalation	3,8%	2,5%

13 - COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.